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December 6, 2002

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554


**Re: CC Docket 00-199, Comprehensive Review of Accounting Requirements
WC Docket 02-269, Federal-State Joint Conference on Accounting**

Dear Ms. Dortch:

In two separate meetings on December 4, representatives from BellSouth met with 1) Commissioner Terry Deason of the Florida Public Service Commission and member of the Joint Conference on Accounting and Cayce Hinton of his staff; and, 2) Pat Lee of the Florida Public Service Commission and staff to the Joint Conference on Accounting. Attending one or both meetings for BellSouth were Tom Lohman, Ron Hilyer, Nancy Simms, and Marshall Criser.

The parties discussed the agenda for the Federal-State Joint Conference on Accounting and issues associated with Phase 2 & 3 of the Comprehensive Review of Accounting. All materials used during the meetings are attached.

This notice is being filed pursuant to Sec. 1.1206(b)(2) of the Commission's rules. If you have any questions concerning this filing, please do not hesitate to contact me.

Sincerely,

Mary L. Henze

cc: Joint Conference Service List

Accounting & Reporting Issues

- **Suspended Phase II accounting and reporting rule modifications**
 - Consolidation of Account 5230, Directory Revenues into Account 5200, Miscellaneous Revenue
 - To the extent that any states still need this information can it be obtained from other sources?
 - BellSouth plans to implement the FCC's Chart of Account changes so that this detail will still be maintained
 - Consolidation of Accounts 6561 through 6565 in Account 6560, Depreciation and Amortization expense
 - Depreciation detail reported in ARMIS is on an FCC basis so it is of limited use to states who have different lives and rates
 - BellSouth plans to implement the FCC's Chart of Account changes so that this detail will still be maintained

Accounting & Reporting Issues

- **Suspended Phase II accounting and reporting rule modifications (cont)**
 - Consolidation of Accounts 6621 through 6623 into Account 6620, Services, with subaccounts for wholesale and retail
 - Account 6621, Call Completion Services and Account 6622, Number Services are excluded from UNE studies
 - Retail/wholesale analysis of Account 6623, Customer Services is performed as needed for UNE studies and filed with states as support
 - For BellSouth only about 15% of the costs in Account 6623 are wholesale
 - BellSouth's wholesale portion of Account 6623 represents only about 7% of total wholesale shared and common costs
 - Monthly journalization of the wholesale/retail components would require some allocations like the analyses done for UNE studies

Accounting & Reporting Issues

- **Suspended Phase II accounting and reporting rule modifications (cont)**
 - Revised “Loop Sheath Kilometers” data collection in ARMIS 43-07
 - Sheath Kilometers are reported today
 - Loop portion of Sheath Kilometers is not readily available
 - Individual plats would have to be manually reviewed to determine the loop portion
 - Benefits of requiring Large ILECs to report “Loop Sheath Kilometers” are unclear

Accounting & Reporting Issues

- **Phase II Affiliate Transaction Rules Changes**
 - No market value comparison for asset transfers < \$500,000
 - Mirrors the rule for services implemented in Phase I Report and Order
 - Administrative costs savings – save cost of EFMV studies
 - Transactions less than \$500,000 not material for BellSouth – 4% of 2002 transfers
 - Allow the higher or lower of cost or market valuation to operate as either a floor or ceiling
 - Prior to Phase II Order, exception granted via waiver process. All granted by FCC.
 - Administrative costs savings – FCC fee for each Waiver application
 - No material impact on affiliate transactions for BellSouth – < 5 new services in 2002

Accounting & Reporting Issues

- **Phase II Affiliate Transaction Rules Changes (cont)**
 - Reduction in threshold from greater than 50% to 25% for use of prevailing price in valuing affiliate transactions
 - Administrative costs savings – Nonregulated entity's cost of FDC tracking can be eliminated for these individual services
 - No material impact on affiliate transactions for BellSouth – 0.1% of incoming affiliate billing changed from asymmetrical treatment to prevailing price
- **Phase III Issues and Concerns**